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Financial reports and audited financial statements, and reports of the Board of Auditors

Implementation of the recommendations of the Board of Auditors concerning United Nations peacekeeping operations for the period ending 30 June 1998

Report of the Secretary-General

I. Introduction

1. The General Assembly, in paragraph 7 of its resolution 48/216 B of 23 December 1993, requested the Secretary-General to report to it, at the same time as the recommendations of the Board of Auditors are submitted to the Assembly, on measures taken or to be taken to implement those recommendations.

2. Accordingly, the present report responds to the recommendations of the Board made in its report on the accounts of the United Nations peacekeeping operations for the 12-month period ending 30 June 1998.[1] This response is based on the assumption that all such recommendations would be approved by the General Assembly at its current session. Information is provided on measures taken or to be taken to implement the recommendations.

3. In preparing the present report, account was also taken of the provisions of the following General Assembly resolutions:

(a) Resolution 50/204 A of 23 December 1995 (in particular para. 4, regarding implementation of the Board's recommendations);

(b) Resolution 51/225, section A, of 3 April 1997 (in particular para. 10, regarding the timetable for the implementation of recommendations of the Board of Auditors);

(c) Resolution 52/212 B of 31 March 1998 (in particular 2–5) and the note by the Secretary-General transmitting the proposals of the Board of Auditors for improving the implementation of its recommendations approved by the Assembly (A/52/753, annex).

II. Implementation of recommendations contained in paragraph 10 of the report of the Board of Auditors

4. In paragraph 10 (a) of its report,[1] the Board of Auditors recommended that since the peacekeeping financial statements are intended to recognize expenditure on an accrual basis, the Administration should ensure that all expenditure related to a financial period is captured in the accounts for more accurate financial reporting.

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5. In compliance with this recommendation, additional measures have been introduced to ensure that the financial statements reflect all expenditure for the period to which they pertain. Recent enhancements in the Integrated Management Information System (IMIS) have allowed the Administration to track the issuance, pre-encumbrance and settlement of letters of assist and to record and monitor related obligations more accurately. Action has also been taken with regard to updating the reconciliation of inter-office vouchers pertaining to missions.

6. In paragraph 10 (b), the Board recommended that the Administration review $97.4 million in unliquidated obligations to determine its validity and take appropriate action. The Administration should ensure that certifying officers carry out periodic reviews to confirm that only valid unliquidated obligations are retained in the accounts.

7. The unliquidated obligations are currently under review and appropriate adjustments, where necessary, will be recorded in the current fiscal year for peacekeeping accounts. As indicated above, action has been taken to eliminate the backlog in processing and reconciling inter-office vouchers. It should be noted that pending litigation and unresolved vendor claims have in some cases necessitated the retention of substantial unliquidated obligations.

8. In paragraph 10 (c), the Board recommended that the Administration carry out expeditious reconciliation of entries rejected by IMIS to ensure prompt and proper adjustment. Payments against the current year's appropriations should not be applied to liquidate prior period obligations.

9. The recommendation has been noted. The financial statements for the period ending 30 June 1999 will fully disclose those remaining cases where expenditures have been recorded in financial periods other than that to which they are related.

10. In paragraph 10 (d), the Board recommended that the Department of Peacekeeping Operations review the generic fair market value of major equipment as set out in the United Nations Manual on Policies and Procedures concerning Reimbursement and Control of Contingent-owned Equipment of Troop-contributing Countries participating in Peacekeeping Missions, and submit to the General Assembly proposals for revision as appropriate.

11. The members of the Phase IV Working Group on Reimbursement of Contingent-owned Equipment were of the strong opinion that the new rates and the reformed contingent-owned equipment procedures had not been in use long enough to make a fair assessment of the system. Consequently, the Working Group recommended, in paragraph 93 (b) of its report (A/C.5/52/39), that the Secretariat convene the Phase V Working Group in 2001 to specifically review and validate reimbursement rates, procedures and standards. The Secretariat had initially proposed, subject to the concurrence of the General Assembly, that the rate review be conducted in 1999. In view of the delay in the review and approval of the Working Group and the report of the Secretary-General on the first full year of implementation of the new procedures and the additional work required to process the current backlog of contingent-owned equipment claims, the Secretariat is in general agreement with the Working Group's proposal to conduct the initial rate review in 2001 for inclusion in the peacekeeping budgets for the period commencing 1 July 2002. However, in discussions in the Advisory Committee on Administrative and Budgetary Questions, the Secretariat has advanced the possibility of convening the meeting in the spring of 2000.

12. In paragraph 10 (e), the Board recommended that the Department of Peacekeeping Operations undertake on-site reviews in peacekeeping missions to validate contingent-owned equipment requirements.

13. The Department of Peacekeeping Operations now routinely reviews the levels of contingent-owned equipment at missions whenever there is a significant change in the troop complement or a revision of the mission mandate. The Department has improved its liaison with troop-contributing countries, both at Headquarters and in the field, in order to determine the necessary levels of contingent-owned equipment.

14. In paragraph 10 (f), the Board recommended that the Administration conclude memoranda of understanding with the 27 troop-contributing countries in order to comply with established procedures.

15. The Administration continues to work towards the completion of the memoranda of understanding. A total of 20 memoranda of understanding have been completed with troop-contributing countries since the receipt of the Board's recommendation. The preparation of the memoranda of understanding is an ongoing process, as there are frequent modifications to mandates that require adjustments in equipment levels. In certain instances, troop-contributing countries have withdrawn their participation from missions, as a result of which new memoranda of understanding will need to be negotiated with their replacements. The Department of Peacekeeping Operations is expected to complete the remaining memoranda of understanding by 31 December 1999.

16. In paragraph 10 (g), the Board recommended that the Administration review the retroactive application of the new methodology for reimbursement of contingent-owned equipment and submit proposals to the General Assembly for limiting the additional costs likely to be incurred.

17. It should be noted that the General Assembly, in its resolution 51/218 E of 17 June 1997, reiterated its position that, for missions activated prior to 1 July 1996, countries have the option to accept reimbursement under either the new or the old reimbursement methodology. The Administration addressed the issue of increased costs under the retroactive implementation of the new procedures in an issue paper it prepared for the consideration of the Phase IV Working Group. While several measures were proposed by the Administration with a view to preventing shortfalls in mission budgets as a consequence of retroactive implementation, the Phase IV Working Group did not consider these proposals. The Phase IV Working Group recommended that no change be made to the policy of applying the new procedures retroactively.

18. The Board's report cites additional costs to mission budgets that have resulted from the retroactive reimbursement under the new methodology; however, the report does not take into consideration the concurrent savings realized in the reduced infrastructure support attributable to the new methodology.

19. In paragraph 10 (h), the Board recommended that the Department of Peacekeeping Operations and the United Nations Disengagement Observer Force (UNDOF) ensure that the recruitment procedures established by the Office of Human Resources Management are complied with.

20. The Department of Peacekeeping Operations will ensure that the recommendation is fully implemented in UNDOF by 30 June 1999. In this connection, the UNDOF mission budget has been formulated to reflect the additional resources for general temporary assistance required in order to engage individual contractors for maintenance services in accordance with the established recruitment procedures.

21. In paragraph 10 (i), the Board recommended that the Field Administration and Logistics Division resolve expeditiously the outstanding issues pertaining to the contract for support services at the United Nations Observer Mission in Angola (MONUA) and obtain urgently the performance bond from the service contractor in order to ensure an adequate standard of support services.

22. A quality assurance programme is now in place in the Mission, and the performance bond pertaining to the contract is currently being pursued.

23. In paragraph 10 (j), the Board recommended that the Field Administration and Logistics Division rebid the MONUA rations contract to obtain competitive rates, and the contract should contain a clause to hold the contractor accountable for poor performance. Also, the Administration should make deductions for unauthorized substitutions and shortfalls in the quality and quantity of the food supplied.

24. In view of the recent decision by the Security Council to end the mandate of MONUA and the subsequent reduction in the number of mission personnel deployed in the liquidation phase, a rebidding of the service contract for rations is no longer considered practical. Nevertheless, appropriate action has been taken to ensure that the contractor provides a level of service in accordance with the terms of the contract. Some improvement in delivery has been noted, and the level of service was considered satisfactory as of early 1997. Regarding the Board's recommendation that the Administration make deductions from payments to the contractor for unauthorized substitutions, even where the goods have been accepted by the Mission, and for shortfalls in the quality and quantity of the food supplied, these issues have been referred to the Office of Legal Affairs to establish a legal basis for the recommended action.

III. Implementation of recommendations contained in the body of the report of the Board of Auditors

25. In the body of its report, the Board recommended, in paragraph 24, that the Administration take action to correctly reflect the advance of $635,000 in the United Nations Peacekeeping Reserve Fund.

26. In accordance with the Board's recommendation, this entry has been adjusted in the corresponding accounts in the financial period for peacekeeping ending 30 June 1999.

27. In paragraph 39, the Board recommended that the Administration additionally disclose in note 9 of the financial statements the value of non-expendable property awaiting write-off action.

28. The Administration is currently reviewing the procedures for processing Property Survey Board cases with the assistance of the Board. Based on the outcome of this review, the Administration will consider the feasibility of disclosing non-expendable property awaiting write-off action in note 9 of the financial statements.

29. In paragraph 43, the Board recommended that the Administration monitor closely the increasing level of procurement for peacekeeping operations, particularly in the areas of airline management and operation, motor vehicles, parts and accessories and logistical support, in view of the general decline in the level of peacekeeping operations.

30. The Field Administration and Logistics Division of the Department of Peacekeeping Operations and the Procurement Division of the Office for Central Support Services have developed a coherent and responsive policy for monitoring the level of procurement for peacekeeping missions, particularly in the areas of air transport operations, vehicle and spare parts acquisition, and logistical support contracts. Comprehensive procurement programmes in respect of each of these areas have been developed and are being refined for incorporation into the field mission logistics system.

31. In paragraph 82, the Board recommended that peacekeeping missions submit cases to the local and Headquarters committees on contracts with sufficient lead time to ensure that effective reviews are carried out.

32. All field missions are being reminded of the procedural requirements for the timely submission of cases to the local and Headquarters committees on contracts.

33. In paragraph 85, the Board recommended that the Procurement Division review its filing system to facilitate the retrieval of case files and to provide a clear audit trail.

34. The Procurement Division has redesigned and is in the final process of implementing a centralized filing system. The Division is also in the final stages of preparing a dedicated file room, which will be staffed full-time and will serve as the Division's file inventory control and on-site archives. It is anticipated that the physical arrangement for the centralized file room will be completed and the relevant instructions will be issued by 31 December 1999. Completion of the centralized filing system will streamline the processing of each case and allow the Division to track, locate and access files more efficiently.

35. In paragraph 117, the Board recommended that the United Nations Mission in Bosnia and Herzegovina (UNMIBH) ensure that all assets are signed for at the time of handover and that those details are fully recorded on the central assets database.

36. UNMIBH has commenced implementation of a programme of improvements in the area of asset control. The central assets database has been replaced by the field assets control system. As part of this process, efforts continue to be made to improve accountability and to ensure that assets are properly signed for on issue and on handover. Standardized property control forms have been created, and a directive has been issued to staff. Seminars on the United Nations rules and procedures governing property control and inventory and in the use of the field assets control system have been organized for logistics personnel.

37. In paragraph 120, the Board recommended that MONUA pursue and obtain acknowledgement for all assets transferred to other missions or United Nations agencies and input information regarding the receipt of receiving and inspection reports into the central assets database in the Property Control and Inventory Unit in order to monitor and control the transfer of assets centrally.

38. Installation of the field assets control system has already been completed in several missions, and the Department of Peacekeeping Operations will have the system installed in the remaining missions by 30 June 1999.

39. In paragraph 128, the Board recommended that for all missions, the Field Administration and Logistics Division ensure that the database accurately reflects both the original and residual values of equipment submitted to the Headquarters Property Survey Board for write-off action.

40. The Field Administration and Logistics Division has addressed the need for additional fields in the database and has implemented the recommendations of the Board. The database was modified to include both the original and residual values of equipment.

41. In paragraph 129, the Board recommended that the Field Administration and Logistics Division take action to expedite the clearance of outstanding cases of write-off of non-expendable equipment.

42. The Field Administration and Logistics Division has taken action regarding the clearance of outstanding non-expendable property of the United Nations Peace Forces for write-off. At present, of the total of 331 Property Survey Board cases recorded in the 1997/98 database, 301 cases with an aggregate value of $61,275,725 were submitted to the Headquarters Property Survey Board for review. Fully 112 of these cases, totalling $42,895,097 in value, were approved by the Board; 23 cases, totalling $5,357,057, were deferred by the Board; and 166 cases, totalling $13,023,611, are still pending Board review. Of the 30 remaining cases, 19 cases, totalling $466,973, are currently being reviewed by the Board, and 11 require no further action by the Board or the Division.

43. In paragraph 134, the Board recommended that the Field Administration and Logistics Division review the

claims in order to make a decision on whether payment should be made.

44. The main obstacle facing the Organization with respect to claims for payment of retrospective rent remains that of proof of ownership of the property, not only at the time of the submission of the claim, but, more importantly, for the full period of occupation by the United Nations. Furthermore, the Department of Peacekeeping Operations is not in a position to verify the authenticity of the ownership documents provided by the claimants. In many cases the claimant may in fact be the original owner of the premises who had been displaced during the conflict; however, there are a number of areas in the former Yugoslavia where returnees have taken up residence in homes and buildings previously belonging to members of other ethnic groups. An initial review of these claims has been completed, and all conditions except for the issue of rightful ownership have been fulfilled. The Department of Peacekeeping Operations therefore intends to submit the matter to the Office of Legal Affairs and the Controller for a decision on the precise conditions under which the Organization should accept ownership documents as sufficient proof for settlement of these claims.

45. In paragraph 137, the Board recommended that the Department of Peacekeeping Operations ensure that before contractors are permitted to start work there is a valid contract.

46. The Department of Peacekeeping Operations takes due note of the recommendation.

47. In paragraph 140, the Board recommended that the Department of Peacekeeping Operations write to the concerned Governments regarding the need to comply with the terms of the status-of-forces agreement and also raise the matter with the respective permanent missions to the United Nations.

48. Once having obtained the advice of the Office of Legal Affairs, the Department of Peacekeeping Operations completed the calculation of the amounts claimed from each of the host Governments in the former Yugoslavia for the payments obtained from the United Nations Protection Force/United Nations Peace Forces in violation of the status-of-forces agreements. On 25 March 1999, notes verbales on this issue were sent to the permanent missions to the United Nations of the respective countries.

Notes

[1] *Official Records of the General Assembly, Fifty-third Session, Supplement No. 5* (A/53/5), vol. II, chap. II.